

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

PUTNAM TOWNSHIP

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

PUTNAM TOWNSHIP

TOWNSHIP OFFICIALS

Supervisor - Richard Knopf
Treasurer - G. Richard McCloskey
Clerk - Sally Guyon

TOWNSHIP BOARD OF TRUSTEES

Richard Knopf
G. Richard McCloskey
Sally Guyon
Kevin Dobis
Norman Klein
Jeffrey Buerman
Thomas Benedetti

TOWNSHIP ATTORNEY

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
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August 21, 2006

Board of Trustees
Putnam Township
131 S. Howell Road
Pinckney, Michigan 48169

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of and for the year ended June 30, 2006, which collectively comprise Putnam Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Putnam Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Putnam Township as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 7 through 11 and 33 through 35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Putnam Township's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2006

Within this section of Putnam Township's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended June 30, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of available resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole Under GASB 34 Accounting Principles

The Township's net assets at the end of the fiscal year was \$1,926,249. This is a \$253,877 increase over last year's net assets of \$1,672,372.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>Governmental Activities</u>	
	<u>6-30-05</u>	<u>6-30-06</u>
Current and other assets	\$ 2,976,892	\$ 2,954,527
Capital assets	<u>846,427</u>	<u>797,715</u>
Total assets	<u>3,823,319</u>	<u>3,752,242</u>
Other liabilities	367,757	42,803
Long-term liabilities	<u>1,783,190</u>	<u>1,783,190</u>
Total liabilities	<u>2,150,947</u>	<u>1,825,993</u>
Net assets:		
Invested in capital assets, net of related debt	846,427	797,715
Restricted for debt service	465,724	454,666
Unrestricted	<u>360,221</u>	<u>673,868</u>
Total net assets	<u>\$ 1,672,372</u>	<u>\$ 1,926,249</u>

Summary of Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>6-30-05</u>	<u>6-30-06</u>
REVENUES		
Program revenues		
Charges for services	\$ 46,878	\$ 116,141
Operating grants and contributions	2,300	
Capital grants and contributions		34,816
General revenues		
State shared revenues	360,179	368,532
Property taxes	746,810	785,554
Other	<u>210,488</u>	<u>239,119</u>
Total revenues	<u>1,366,655</u>	<u>1,544,162</u>
EXPENSES		
General government	524,928	582,908
Fire protection	355,494	388,117
Police protection	114,412	119,562
Parks and recreation	6,789	2,555
Roads	189,458	107,184
Interest on long-term debt	<u>100,802</u>	<u>89,959</u>
Total expenses	<u>1,291,883</u>	<u>1,290,285</u>
CHANGES IN NET ASSETS	74,772	253,877
BEGINNING NET ASSETS	<u>1,597,600</u>	<u>1,672,372</u>
ENDING NET ASSETS	<u>\$ 1,672,372</u>	<u>\$ 1,926,249</u>

Financial Analysis of the Township's Funds

Putnam Township reported 4 major funds for the year ended June 30, 2006. These funds included:

- General Fund
- Fire Capital Outlay Fund
- Fire Millage Fund
- Patterson Lake Fund

The General Fund increased its fund balance \$37,743 during the year primarily due to the initial year of collecting tax administrative fees while having expenditures for legal services increase.

The Fire Capital Outlay Fund, Fire Millage Fund, and Patterson Lake Fund had little activity except the repayment on debt and small capital outlay purchases. The Fire Capital Outlay Fund decreased its fund balance by \$40,471 to extinguish the outstanding debt. The Fire Millage Fund increased its fund balance by \$61,814 for future year expenditures. The Patterson Lake Fund decreased its fund balance by \$11,058 to pay down sewer debt.

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made an immaterial amendment during the year to bring it closer to economic reality. However, expenditures exceeded appropriations in three activities. Material amendments were made to account for increased legal fee expenditures and the collection of a tax administration fee for the first time.

Capital Asset and Debt Administration

The Township paid \$345,994 in principal and \$89,959 in interest to service the long-term debt of the Township. During the year the capital lease debt for the Township's purchase of a fire tanker truck was paid off in the Fire Capital Outlay Fund.

The Township purchased \$34,549 of building improvements on the fire hall. These improvements were purchased with grant monies. Total depreciation expense for all governmental activities totaled \$84,261 for the year ended June 30, 2006.

Economic Conditions and Future Activities

The Township is involved in a lawsuit regarding density issues which could increase legal fees next year.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact Putnam Township at 131 S. Howell Road, Pinckney, MI 48169.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,537,216
Receivables	
Special assessments	1,279,497
State shared revenues	119,998
Accounts - other	17,816
Capital assets, net of depreciation	<u>797,715</u>
Total assets	<u>3,752,242</u>
LIABILITIES	
Accounts payable	42,803
Bonds payable	
Current	139,554
Non-current	<u>1,643,636</u>
Total liabilities	<u>1,825,993</u>
NET ASSETS	
Invested in capital assets, net of related debt	797,715
Restricted for debt service	454,666
Unrestricted	<u>673,868</u>
Total net assets	<u>\$ 1,926,249</u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Total
		Charges for Services	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (582,908)	\$ 116,141	\$	\$ (466,767)
Fire protection	(388,117)	16,975	34,816	(336,326)
Police protection	(119,562)			(119,562)
Parks and recreation	(2,555)			(2,555)
Public works	(107,184)			(107,184)
Interest on long-term debt	(89,959)			(89,959)
Total governmental activities	<u>\$ (1,290,285)</u>	<u>\$ 133,116</u>	<u>\$ 34,816</u>	<u>(1,122,353)</u>
General Revenues:				
Property taxes				785,554
State shared revenues				368,532
Gravel/Cable royalties				58,331
Interest income				
Cash and equivalents				65,928
Special assessments				82,663
Other income				<u>15,222</u>
Total general revenues				<u>1,376,230</u>
Changes in net assets				253,877
Net assets, July 1, 2005				<u>1,672,372</u>
Net assets, June 30, 2006				<u>\$ 1,926,249</u>

The notes of the financial statements are an integral part of this statement.

FUND FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Fire Capital Outlay</u>	<u>Fire Millage</u>	<u>Patterson Lake Sewer</u>	<u>Other Non-major Funds</u>	<u>Total</u>
<u>ASSETS</u>						
ASSETS						
Cash and cash equivalents	\$ 600,792	\$ 192,981	\$ 262,753	\$ 454,013	\$ 26,677	\$ 1,537,216
Receivables						
Special assessments				1,279,497		1,279,497
State shared revenues	119,998					119,998
Accounts - other	9,687	632	1,425			11,744
Due from other funds	<u>13,863</u>	<u>34,816</u>	<u> </u>	<u>652</u>	<u> </u>	<u>49,331</u>
Total assets	<u>\$ 744,340</u>	<u>\$ 228,429</u>	<u>\$ 264,178</u>	<u>\$ 1,734,162</u>	<u>\$ 26,677</u>	<u>\$ 2,997,786</u>
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES						
Accounts payable	\$ 42,802	\$ 958	\$ 1	\$ 42,803	\$ 43,259	\$ 42,803
Due to other funds			42,301			43,259
Deferred revenues	<u> </u>	<u> </u>	<u> </u>	<u>1,279,496</u>	<u> </u>	<u>1,279,496</u>
Total liabilities	<u>42,802</u>	<u>958</u>	<u>42,302</u>	<u>1,279,496</u>	<u> </u>	<u>1,365,558</u>
FUND BALANCES						
Unreserved	700,080		221,876			921,956
Designated	1,458	227,471			26,677	255,606
Reserved for debt service	<u> </u>	<u> </u>	<u> </u>	<u>454,666</u>	<u> </u>	<u>454,666</u>
Total fund balances	<u>701,538</u>	<u>227,471</u>	<u>221,876</u>	<u>454,666</u>	<u>26,677</u>	<u>1,632,228</u>
Total liabilities and fund balances	<u>\$ 744,340</u>	<u>\$ 228,429</u>	<u>\$ 264,178</u>	<u>\$ 1,734,162</u>	<u>\$ 26,677</u>	<u>\$ 2,997,786</u>

The notes to the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,632,228
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
Cost of capital assets	\$ 1,614,216	
Depreciation	<u>(816,501)</u>	
Capital assets, net of depreciation		797,715
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Bonds payable		(1,783,190)
Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.		
Deferred income for Patterson Lake Sewer Fund		<u>1,279,496</u>
Net assets of governmental activities		<u>\$ 1,926,249</u>

The notes of the financial statements are an integral part of this statement.

PUTNAM TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Fire Capital Outlay</u>	<u>Fire Millage</u>
REVENUES			
Taxes	\$ 276,972	\$ 145,274	\$ 363,308
Licenses and permits	6,925		
Special assessments			
State shared revenues	368,532		
Grant - fire		34,816	
Cablevision fees	26,415		
Gravel pit royalties	31,916		
Charges for services	109,216	16,975	
Interest	30,920	8,520	11,138
Miscellaneous	<u>15,222</u>	<u> </u>	<u> </u>
Total revenues	<u>866,118</u>	<u>205,585</u>	<u>374,446</u>
EXPENDITURES			
General government	576,671		
Fire protection	312,633	35,549	
Police protection	119,562		
Public works	107,184		
Debt service	<u> </u>	<u>210,507</u>	<u> </u>
Total expenditures	<u>1,116,050</u>	<u>246,056</u>	<u> </u>
Excess of revenues over (under) expenditures	<u>(249,932)</u>	<u>(40,471)</u>	<u>374,446</u>
OTHER FINANCING SOURCE USES			
Transfers in	314,090		
Transfers (out)	<u>(26,415)</u>	<u> </u>	<u>(312,632)</u>
Total other financing sources (uses)	<u>287,675</u>	<u> </u>	<u>(312,632)</u>
Net changes in fund balances	37,743	(40,471)	61,814
FUND BALANCE, JULY 1, 2005	<u>663,795</u>	<u>267,942</u>	<u>160,062</u>
FUND BALANCE, JUNE 30, 2006	<u>\$ 701,538</u>	<u>\$ 227,471</u>	<u>\$ 221,876</u>

The notes to the financial statements are an integral part of this statement.

<u>Paterson Lake Sewer</u>	<u>Other Non-major Funds</u>	<u>Total</u>
\$	\$	\$
		785,554
		6,925
199,038		199,038
		368,532
		34,816
		26,415
		31,916
		126,191
15,350		65,928
		<u>15,222</u>
<u>214,388</u>		<u>1,660,537</u>
	15	576,686
		348,182
		119,562
		107,184
<u>225,446</u>		<u>435,953</u>
<u>225,446</u>	<u>15</u>	<u>1,587,567</u>
<u>(11,058)</u>	<u>(15)</u>	<u>72,970</u>
	26,415	340,505
	<u>(1,458)</u>	<u>(340,505)</u>
	<u>24,957</u>	
(11,058)	24,942	72,970
<u>465,724</u>	<u>1,735</u>	<u>1,559,258</u>
<u>\$ 454,666</u>	<u>\$ 26,677</u>	<u>\$ 1,632,228</u>

PUTNAM TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 72,970
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:	
Capital outlay	\$ 35,549
Depreciation expense	<u>(84,261)</u>
Net	(48,712)
Repayment of bonds payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	
Repayment of:	
Bonds payable	345,994
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when they are levied for the Statement of Activities	
Principle collected on assessments	<u>(116,375)</u>
Change in net assets of governmental activities	<u>\$ 253,877</u>

The notes to the financial statements are an integral part of this statement.

Trust and Agency	Current Tax	Totals
---------------------	----------------	--------

ASSETS
Cash

\$	24,182	\$	6,011	\$	30,193
----	--------	----	-------	----	--------

LIABILITIES

\$ 23,374 \$ 747 \$ 24,121

808	5,264	6,072
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<u>\$ 24,182</u>	<u>\$ 6,011</u>	<u>\$ 30,193</u>
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NOTES
TO
FINANCIAL
STATEMENTS

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3)unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints place on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Capital Outlay accounts for the activity associated with the purchasing of capital assets for the fire department. This fund is supported by property taxes approved from a separately voted millage.

The Fire Millage Fund accounts for the activities related to the transfers made to the General Fund to finance the fire department operations. This fund is supported by property taxes approved by a separate voted millage.

Patterson Lake Fund accounts for the activities related to the special assessments collected and related debt service of the sewer project at Patterson Lake.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

C. BUDGETARY DATA

The board of trustees follow the procedures as outlined in the Uniform Budgeting manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The budget is approved by activity, rather than by line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

D. PROPERTY TAX REVENUE RECOGNITION

The Township property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state at an estimated 50 percent of current market value. Real and personal property in the Township for the 2005 levy was assessed at adjusted taxable value of \$304,728,650. The Township's general operating tax rate for the 2005 levy was .9053 mill and special fire millage was 1.6691. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. In May 2005, the county revolving fund paid the Township for the delinquent real taxes.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - FINANCIAL REPORTING ENTITY

The criteria established by GASB Statement No. 39 for various governmental organizations to be included in the reporting entity's financial statements include accountability, control, and significant financial relationships.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 39, certain other governmental organizations are not considered to be part of the reporting entity for financial statement purposes.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 2 - FINANCIAL REPORTING ENTITY (continued)

The accompanying financial statements of Putnam Township as of June 30, 2006, include any and all boards, agencies, funds and account groups under the jurisdiction of the Putnam Township Board. As further discussed in Note 7, Putnam Township is one of four governmental units that has formed the Portage Base Lakes Area Water & Sewer Authority and has joined Multi-Lakes Sewer and Water Authority. There are separate audits completed for these authorities:

1. The Pinckney Community Library was determined not to be a component unit based on the criteria of GASB 39. A separate audit is conducted for this entity.
2. The Downtown Development Authority is not part of the financial statements, but is a part of the Village of Pinckney.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>BALANCE JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE JUNE 30, 2006</u>
Land	\$ 226,368	\$	\$	\$ 226,368
Buildings and improvements	214,001	35,549		249,550
Machinery and equipment	<u>1,138,298</u>			<u>1,138,298</u>
Total capital assets	1,578,667	35,549		1,614,216
Accumulated depreciation	<u>(732,240)</u>	<u>(84,261)</u>		<u>(816,501)</u>
Governmental activities capital asset, net	<u>\$ 846,427</u>	<u>\$ (48,712)</u>	<u>\$</u>	<u>\$ 797,715</u>

Depreciation expense is being recorded in the government-wide Statement of Activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives. No debt is associated with these capital assets. Depreciation expense was allocated to the following activities:

Fire protection	\$ 75,484
General government	6,222
Parks and recreation	<u>2,555</u>
	<u>\$ 84,261</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 7,485	Fire Millage Fund	\$ 7,485
General Fund	4,612	Current Tax Fund	4,612
General Fund	958	Fire Capital Outlay	958
Fire Capital Outlay Fund	34,816	Fire Millage Fund	34,816
Patterson Lake Sewer Fund	652	Current Tax Fund	652
General Fund	<u>808</u>	Trust and Agency Fund	<u>808</u>
Total	<u>\$ 49,331</u>	Total	<u>\$ 49,331</u>

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township maintains a \$100 imprest petty cash account.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits and investments are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Activities</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 400,000	\$	\$ 400,000	\$ 400,000
Uninsured and uncollateralized	<u>1,137,116</u>	<u>30,193</u>	<u>1,167,309</u>	<u>1,303,201</u>
Total deposits	<u>\$ 1,537,116</u>	<u>\$ 30,193</u>	<u>\$ 1,567,309</u>	<u>\$ 1,703,201</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - LONG-TERM OBLIGATIONS

DEBT RELATED TO MULTI-LAKES AREA SEWER AUTHORITY

Putnam Township residents on Patterson Lake also connected to the sewer system maintained by the Multi-Lakes Authority during the year. Putnam Township is now also a member of the Multi-Lakes Authority.

Putnam Township created a special assessment district for purposes of constructing the sewer distribution lines to serve the residents on Patterson Lake. Lyndon and Unadilla Townships also created special assessment districts to construct sewer distribution lines to their residents.

Bonds were sold to finance the construction through the Washtenaw County Department of Public Works. The three townships will repay the bonds (debt) through their special assessment districts. The three townships share the debt obligation based on the proportion of REU's (residential equivalent units) it serves which are as follows:

Putnam Township	31.012
Lyndon Township	39.601
Unadilla Township	<u>29.387</u>
 Total	 <u>100.000</u>

The total bond proceeds were \$7,850,000 of which Putnam Township is responsible for \$2,434,442.

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The following is a summary of the Township's long-term debt obligations:

1. Loan payable to Washtenaw County for the Multi-Lakes Sanitary Sewer System Phase II Bonds, Series 2002; payable in annual principle payments in the range of \$93,036 to \$139,554, plus interest of 3% to 5% paid semi-annually, maturity date is May 1, 2020.
2. Capital lease payable to National City Bank for the purchase of a fire tanker truck, payable in annual principle payments in the range of \$97,914 to \$105,030, plus interest of 3.75% paid annually, maturity date was June 30, 2006.

A summary of the township's long-term obligations as of June 30, 2006, and transactions during the year then ended are as follows:

	Balance at <u>7/1/05</u>	<u>Additions</u>	Principal Payments	Balance at <u>6/30/06</u>
Washtenaw County Sewage - Disposal System - Bonds Multi-Lakes Phase II, Series 2002	\$ 1,922,744	\$	\$ 139,554	\$ 1,783,190
Fire truck - Capital lease	<u>206,440</u>	<u> </u>	<u>206,440</u>	<u> </u>
	<u>\$ 2,129,184</u>	<u>\$</u>	<u>\$ 345,994</u>	<u>\$ 1,783,190</u>

The following is a schedule of future principal and interest payments to service the long-term obligations of the Township:

	<u>BONDS PAYABLE</u>	
	<u>Principal</u>	<u>Interest</u>
2006 - 2007	\$ 139,554	\$ 78,146
2007 - 2008	139,554	72,477
2008 - 2009	139,554	69,633
2009 - 2010	124,048	60,954
2010 - 2011	124,048	55,527
2011 - 2016	620,240	194,461
2016 - 2020	<u>496,192</u>	<u>49,464</u>
Totals	<u>\$1,783,190</u>	<u>\$ 580,662</u>

PUTNAM TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 7 - CONTINGENCIES AND COMMITMENTS

The Township is involved in various legal actions arising in the normal course of operations. However, there is one significant lawsuit, Hendee v. Putnam Township which could have an impact on the Township. The plaintiffs are challenging the zoning ordinance as unconstitutional as applied to their property claiming the property can not be developed in an economically feasible way as zoned. The plaintiffs are requesting to develop the property for modular home use.

Plaintiffs have dismissed their damages claim so only injunctive relief is at issue. Since the plaintiff dismissed the damages claim, the Township is not being defended by the insurance company anymore. Thus, legal fees will be paid by the Township and could become significant.

Management believes this case raises difficult legal issues making it hard to estimate success for the plaintiff.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - GRANT ACTIVITIES

The Township has been a recipient of various federal grant funds. There was \$34,816 received in the current year. However, these funds and funds received in the prior year may still be subject to federal grant audit requirements.

REQUIRED
SUPPLEMENTARY
INFORMATION

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Taxes	\$ 275,100	\$ 275,100	\$ 276,972	\$ 1,872
Licenses and permits	7,500	7,500	6,925	(575)
State shared revenues	360,000	360,000	368,532	8,532
Charges for services	118,650	129,474	109,216	(20,258)
Miscellaneous	75,250	88,650	104,473	15,823
Total revenues	836,500	860,724	866,118	5,394
EXPENDITURES				
Township board	84,800	215,800	219,587	(3,787)
Supervisor	40,600	45,600	39,278	6,322
Assessor	47,700	48,200	49,407	(1,207)
Election	26,000	8,000	4,832	3,168
Clerk	41,700	42,000	38,883	3,117
Board of review	2,000	2,000	1,200	800
Treasurer	60,267	60,767	59,938	829
Cemetery	1,400	1,400	270	1,130
Township hall	51,340	51,340	42,822	8,518
Public safety-fire department	320,000	320,000	312,633	7,367
Public safety-police	119,652	119,652	119,562	90
Unallocated	40,000	40,000	36,062	3,938
Highways, streets and bridges	123,163	123,163	106,914	16,249
Zoning		35,680	36,347	(667)
Planning commission	86,280	82,600	48,315	34,285
Contingency	71,598			
Total expenditures	1,116,500	1,196,202	1,116,050	80,152
Excess of revenues over (under) expenditures	(280,000)	(335,478)	(249,932)	85,546
OTHER FINANCING SOURCES (USES)				
Transfer in	320,000	320,000	314,090	(5,910)
Transfer (out)	(40,000)	(41,974)	(26,415)	15,559
Total other financing sources (uses)	280,000	278,026	287,675	9,649
Net changes in fund balances		(57,452)	37,743	95,195
FUND BALANCE, JULY 1, 2005	663,795	663,795	663,795	
FUND BALANCE, JUNE 30, 2006	\$ 663,795	\$ 606,343	\$ 701,538	\$ 95,195

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fire millage	\$	\$	\$ 145,274	\$
Grant			34,816	
Fire runs			16,975	
Interest			8,520	
Total revenues	<u>164,342</u>	<u>164,342</u>	<u>205,585</u>	<u>41,243</u>
EXPENDITURES				
Debt service			210,507	(210,507)
Capital outlay	<u>108,780</u>	<u>108,780</u>	<u>35,549</u>	<u>73,231</u>
Total expenditures	<u>108,780</u>	<u>108,780</u>	<u>246,056</u>	<u>(137,276)</u>
Excess of revenues over (under) expenditures	55,562	55,562	(40,471)	(96,033)
FUND BALANCE, JULY 1, 2005	<u>267,942</u>	<u>267,942</u>	<u>267,972</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 323,504</u>	<u>\$ 323,504</u>	<u>\$ 227,471</u>	<u>\$ (96,033)</u>

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Budgets			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Fire millage	\$	\$	\$ 363,308	\$
Interest			11,138	
Total revenues	370,000	370,000	374,446	4,446
EXPENDITURES				
Miscellaneous	100	100		100
Excess of revenues over (under) expenditures	369,900	369,900	374,446	4,546
OTHER FINANCING (USES)				
Transfers (out)	(320,000)	(320,000)	(312,632)	7,368
Net changes in fund balances	49,900	49,900	61,814	11,914
FUND BALANCE, JULY 1, 2005	160,062	160,062	160,062	
FUND BALANCE, JUNE 30, 2006	<u>\$ 209,962</u>	<u>\$ 209,962</u>	<u>\$ 221,876</u>	<u>\$ 11,914</u>

SUPPLEMENTARY
INFORMATION

COMBINING
STATEMENTS

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
JUNE 30, 2006

	Township Hall Improvement Fund	Fire Capital Outlay	Fire Millage	Total
<u>ASSETS</u>				
ASSETS				
Cash	\$ 26,677	\$ 192,981	\$ 262,753	\$ 482,411
Due from other funds		34,816		34,816
Due from others		632	1,425	2,057
	<u>26,677</u>	<u>632</u>	<u>1,425</u>	<u>2,057</u>
Total assets	<u>\$ 26,677</u>	<u>\$ 228,429</u>	<u>\$ 264,178</u>	<u>\$ 519,284</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Due to other funds	\$	\$ 958	\$ 42,301	\$ 43,259
Due to others			1	1
	<u></u>	<u></u>	<u>1</u>	<u>1</u>
Total liabilities		958	42,302	43,260
FUND BALANCE	<u>26,677</u>	<u>227,471</u>	<u>221,876</u>	<u>476,024</u>
Total liabilities and fund balance	<u>\$ 26,677</u>	<u>\$ 228,429</u>	<u>\$ 264,178</u>	<u>\$ 519,284</u>

PUTNAM TOWNSHIP
COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2006

	<u>Trust and Agency</u>	<u>Current Tax</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSETS			
Cash	\$ 24,182	\$ 6,011	\$ 30,193
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	\$ 23,374	\$ 747	\$ 24,121
Due to other funds	<u>808</u>	<u>5,264</u>	<u>6,072</u>
Total liabilities	<u>\$ 24,182</u>	<u>\$ 6,011</u>	<u>\$ 30,193</u>

PUTNAM TOWNSHIP
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Unity Park Fund	Township Hall Improvement Fund	Fire Department Capital Outlay
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Fire millage	\$	\$	\$ 145,274
Interest income			8,520
Grant proceeds			34,816
Fire runs			<u>16,975</u>
	<u> </u>	<u> </u>	
Total revenues			<u>205,585</u>
	<u> </u>	<u> </u>	
EXPENDITURES			
General government		15	
Debt service			210,507
Capital outlay			<u>35,549</u>
	<u> </u>	<u> </u>	
Total expenditures		<u>15</u>	<u>246,056</u>
	<u> </u>	<u> </u>	
Excess of revenues over (under) expenditures		<u>(15)</u>	<u>(40,471)</u>
	<u> </u>	<u> </u>	
OTHER FINANCING SOURCES (USES)			
Transfers in		26,415	
Transfers (out)	<u>(1,458)</u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	
Total other financing sources (uses)	<u>(1,458)</u>	<u>26,415</u>	<u> </u>
	<u> </u>	<u> </u>	
Net changes in fund balances	<u>(1,458)</u>	<u>26,400</u>	<u>(40,471)</u>
	<u> </u>	<u> </u>	
FUND BALANCE, JULY 1, 2005	<u>1,458</u>	<u>277</u>	<u>267,942</u>
	<u> </u>	<u> </u>	
FUND BALANCE JUNE 30, 2006	<u>\$</u>	<u>\$ 26,677</u>	<u>\$ 227,471</u>

<u>Fire Millage</u>	<u>Total</u>
\$ 363,308	\$ 508,582
11,138	19,658
	34,816
	<u>16,975</u>
<u>374,446</u>	<u>580,031</u>
	15
	210,507
	<u>35,549</u>
	<u>246,071</u>
<u>374,446</u>	<u>333,960</u>
	26,415
<u>(312,632)</u>	<u>(314,090)</u>
<u>(312,632)</u>	<u>(287,675)</u>
61,814	46,285
<u>160,062</u>	<u>429,739</u>
<u>\$ 221,876</u>	<u>\$ 476,024</u>

INDIVIDUAL
FUNDS

GENERAL
FUND

PUTNAM TOWNSHIP
GENERAL FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash and cash equivalents	\$ 600,792
Accounts receivable	9,687
State shared revenue receivable	119,998
Due from other funds	<u>13,863</u>

Total assets		<u>\$ 744,340</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable		\$ 42,802
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FUND BALANCE

Designated - parks	\$ 1,458
Undesignated	<u>700,080</u>

Total fund balance		<u>701,538</u>
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Total liabilities and fund balance		<u>\$ 744,340</u>
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PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 275,100	\$ 276,972	\$ 1,872
Licenses and permits	7,500	6,925	(575)
State shared revenues	360,000	368,532	8,532
Charges for services	129,474	109,216	(20,258)
Miscellaneous	88,650	104,473	15,823
Total revenues	<u>860,724</u>	<u>866,118</u>	<u>5,394</u>
EXPENDITURES			
Township board	215,800	219,587	(3,787)
Supervisor	45,600	39,278	6,322
Assessor	48,200	49,407	(1,207)
Election	8,000	4,832	3,168
Clerk	42,000	38,883	3,117
Board of review	2,000	1,200	800
Treasurer	60,767	59,938	829
Cemetery	1,400	270	1,130
Township hall	51,340	42,822	8,518
Public safety-fire department	320,000	312,633	7,367
Public safety-police	119,652	119,562	90
Unallocated	40,000	36,062	3,938
Highways, streets and bridges	123,163	106,914	16,249
Zoning	35,680	36,347	(667)
Planning commission	82,600	48,315	34,285
Total expenditures	<u>1,196,202</u>	<u>1,116,050</u>	<u>80,152</u>
Excess of revenues over (under) expenditures	<u>(335,478)</u>	<u>(249,932)</u>	<u>85,546</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	320,000	314,090	(5,910)
Transfers (out)	(41,974)	(26,415)	15,559
Total other financing sources (uses)	<u>278,026</u>	<u>287,675</u>	<u>9,649</u>
Net changes in fund balances	(57,452)	37,743	95,195
FUND BALANCE, JULY 1, 2005	<u>663,795</u>	<u>663,795</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 606,343</u>	<u>\$ 701,538</u>	<u>\$ 95,195</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TAXES			
Current property taxes	\$ 275,100	\$ 276,972	\$ 1,872
LICENSES AND PERMITS			
Land use permits		5,425	
Special use permits		400	
Trailer permits		500	
Dog licenses		600	
Total licenses and permits	7,500	6,925	(575)
STATE SHARED REVENUES	360,000	368,532	8,532
CHARGES FOR SERVICES			
Tax administration fees		84,298	
Civil infractions		547	
Tax collection fees		10,611	
Board of appeals		7,800	
Zoning fees		3,000	
Site plan fees		2,000	
Land splits		640	
Elections		320	
Total charges for services	129,474	109,216	(20,258)
MISCELLANEOUS REVENUES			
Metro act		8,253	
Miscellaneous		4,460	
Printed material		554	
Interest		30,920	
Cleanup		1,955	
Cablevision fees		26,415	
Gravel pit		31,916	
Total miscellaneous revenues	88,650	104,473	15,823
Total revenues	\$ 860,724	\$ 866,118	\$ 5,394

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	Amended Budget	Actual	Variance Favorable (Unfavorable)
TOWNSHIP BOARD			
Fees	\$	\$ 10,080	\$
Engineering		2,994	
Audit		7,500	
Legal		165,497	
Codification		625	
Storm water		9,688	
Website/newsletter		2,000	
Publications		3,335	
Dues		5,895	
Data processing		3,371	
Bank charges		906	
Tax chargebacks		1,404	
DDA		2,639	
Miscellaneous		3,653	
	<u>215,800</u>	<u>219,587</u>	<u>(3,787)</u>
Total township board			
SUPERVISOR			
Salary		25,500	
Supplies		1,994	
Clerical		11,261	
Conference		523	
	<u>45,600</u>	<u>39,278</u>	<u>6,322</u>
Total supervisor			
ASSESSOR			
Contract		43,800	
Data processing		1,417	
Postage		2,035	
Supplies		2,155	
	<u>48,200</u>	<u>49,407</u>	<u>(1,207)</u>
Total assessor			
ELECTION			
Fees		3,308	
Publications		304	
Supplies		462	
Equipment		758	
	<u>8,000</u>	<u>4,832</u>	<u>3,168</u>
Total election			

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
CLERK			
Salary		25,500	
Clerical		12,210	
Postage		618	
Conference		102	
Supplies		260	
Miscellaneous		<u>193</u>	
Total clerk	<u>42,000</u>	<u>38,883</u>	<u>3,117</u>
BOARD OF REVIEW			
Fees	<u>2,000</u>	<u>1,200</u>	<u>800</u>
TREASURER			
Salary		25,500	
Tax statement preparation		4,783	
Clerical		25,434	
Supplies		294	
Data processing		1,816	
Postage		1,847	
Conference		140	
Miscellaneous		<u>124</u>	
Total treasurer	<u>60,767</u>	<u>59,938</u>	<u>829</u>
CEMETERY			
Maintenance	<u>1,400</u>	<u>270</u>	<u>1,130</u>
TOWNSHIP HALL			
Ground maintenance		4,091	
Hall maintenance		1,876	
Copy maintenance		869	
Cleaning services		3,035	
Supplies		2,377	
Interest		788	
Telephone		5,692	
Utilities		6,448	
Security system		643	
Insurance		15,217	
Postage		646	
Miscellaneous		832	
Capital outlay		175	
Office relocation		<u>133</u>	
Total township hall	<u>51,340</u>	<u>42,822</u>	<u>8,518</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PUBLIC SAFETY - FIRE DEPARTMENT			
Fire person fees		183,669	
Clerical		11,000	
Payroll taxes		14,839	
Telephone		4,004	
Insurance		25,701	
Utilities		12,637	
EMS fees		1,422	
Radios		1,244	
Gas and oil		7,420	
Ground maintenance		1,529	
Dues and subscriptions		4,797	
Training		4,310	
Fire fighter gear		14,585	
Uniforms		1,183	
Equipment maintenance		10,732	
Building maintenance		842	
Operating supplies and parts		7,272	
Miscellaneous		5,447	
	<u>320,000</u>	<u>312,633</u>	<u>7,367</u>
Total public safety - fire department			
PUBLIC SAFETY - POLICE			
Contracted services	<u>119,652</u>	<u>119,562</u>	<u>90</u>
UNALLOCATED			
Small equipment		1,143	
Conferences and training		1,932	
Township - FICA, Medicare and unemployment		13,794	
Gazebo and town square maintenance		5,021	
Miscellaneous		94	
Land purchase		348	
Senior citizens		13,730	
	<u>40,000</u>	<u>36,062</u>	<u>3,938</u>
Total unallocated			
HIGHWAYS, STREETS, BRIDGES			
Road maintenance	<u>123,163</u>	<u>106,914</u>	<u>16,249</u>

PUTNAM TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
ZONING			
Fees		6,350	
Administrator fees		18,765	
Printing and publications		1,644	
Supplies		123	
Planning consultant		8,525	
Mileage		815	
Miscellaneous		<u>125</u>	
Total zoning	<u>35,680</u>	<u>36,347</u>	<u>(667)</u>
PLANNING COMMISSION			
Fees		9,810	
Planning consultant		35,638	
Printing and publications		2,565	
Supplies		152	
Miscellaneous		<u>150</u>	
Total planning commission	<u>82,600</u>	<u>48,315</u>	<u>34,285</u>
Total expenditures	<u>\$ 1,196,202</u>	<u>\$ 1,116,050</u>	<u>\$ 80,152</u>

UNITY
PARK
FUND

PUTNAM TOWNSHIP
 UNITY PARK FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2006

REVENUES	
Donations	\$
EXPENDITURES	<u> </u>
Excess of revenues over expenditures	
OTHER FINANCING SOURCES (USES)	
Transfer (out)	<u>(1,458)</u>
Net change in fund balance	(1,458)
FUND BALANCE, JULY 1, 2005	<u>1,458</u>
FUND BALANCE, JUNE 30, 2006	<u><u>\$</u></u>

TOWNSHIP
HALL
IMPROVEMENT
FUND

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 26,677

FUND BALANCE

FUND BALANCE

\$ 26,677

PUTNAM TOWNSHIP
TOWNSHIP HALL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES	\$	\$	\$
EXPENDITURES	<u> </u>	<u> 15</u>	<u> (15)</u>
Excess of revenues over (under) expenditures	<u> </u>	<u> (15)</u>	<u> (15)</u>
OTHER FINANCING SOURCES			
Transfers in	<u> 25,000</u>	<u> 26,415</u>	<u> 1,415</u>
Net changes in fund balances	25,000	26,400	1,400
FUND BALANCE, JULY 1, 2005	<u> 277</u>	<u> 277</u>	<u> </u>
FUND BALANCE, JUNE 30, 2006	<u><u> \$ 25,277</u></u>	<u><u> \$ 26,677</u></u>	<u><u> \$ 1,400</u></u>

FIRE DEPARTMENT
CAPITAL OUTLAY
FUND

PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash	\$ 192,981
Due from other funds	34,816
Due from others	<u>632</u>

Total assets		<u>\$ 228,429</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds	\$ 958
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FUND BALANCE

<u>227,471</u>

Total liabilities and fund balance		<u>\$ 228,429</u>
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PUTNAM TOWNSHIP
FIRE DEPARTMENT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fire millage	\$	\$ 145,274	\$
Grant proceeds		34,816	
Fire runs		16,975	
Interest		<u>8,520</u>	
Total revenues	<u>164,342</u>	<u>205,585</u>	<u>41,243</u>
EXPENDITURES			
Capital outlay		35,549	
Debt service			
Principle		206,622	
Interest		<u>3,885</u>	
Total expenditures	<u>108,780</u>	<u>246,056</u>	<u>(137,276)</u>
Excess of revenues over (under) expenditures	55,562	(40,471)	(96,033)
FUND BALANCE, JULY 1, 2005	<u>267,942</u>	<u>267,942</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 323,504</u>	<u>\$ 227,471</u>	<u>\$ (96,033)</u>

FIRE MILLAGE
FUND

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash

\$ 262,753

Accounts receivable

1,425

Total assets

\$ 264,178

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to other funds

\$ 42,301

Due to other unit

1

Total liabilities

\$ 42,302

FUND BALANCE

221,876

Total liabilities and fund balance

\$ 264,178

PUTNAM TOWNSHIP
FIRE MILLAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Fire millage	\$	\$ 363,308	\$
Interest		<u>11,138</u>	
Total revenues	370,000	374,446	4,446
EXPENDITURES	<u>100</u>		<u>100</u>
Excess of revenues over (under) expenditures	369,900	374,446	4,546
OTHER FINANCING (USES)			
Transfers (out)	<u>(320,000)</u>	<u>(312,632)</u>	<u>7,368</u>
Net changes in fund balances	49,900	61,814	11,914
FUND BALANCE, JULY 1, 2005	<u>160,062</u>	<u>160,062</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 209,962</u>	<u>\$ 221,876</u>	<u>\$ 11,914</u>

PATTERSON LAKE SEWER
DEBT SERVICE FUND

PUTNAM TOWNSHIP
PATTERSON LAKE SEWER
DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash	\$ 454,013
Special assessment receivable - current	91,393
Deferred special assessments	1,188,104
Due from other funds	<u>652</u>

Total assets		<u>\$ 1,734,162</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues	\$ 1,279,496
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FUND BALANCE

<u>454,666</u>

Total liabilities and fund balance	<u>\$ 1,734,162</u>
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PUTNAM TOWNSHIP
PATTERSON LAKE SEWER
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Special assessments - principal	\$	\$ 120,588	\$
Special assessments - interest		78,450	
Interest income		<u>15,350</u>	
Total revenues	<u>197,207</u>	<u>214,388</u>	<u>17,181</u>
EXPENDITURES			
Bond - principal		139,554	
Bond - interest		85,857	
Miscellaneous		<u>35</u>	
Total expenditures	<u>223,934</u>	<u>225,446</u>	<u>(1,512)</u>
Excess of revenues over (under) expenditures	(26,727)	(11,058)	15,669
FUND BALANCE, JULY 1, 2005	<u>465,724</u>	<u>465,724</u>	
FUND BALANCE, JUNE 30, 2006	<u>\$ 438,997</u>	<u>\$ 454,666</u>	<u>\$ 15,669</u>

TRUST
AND
AGENCY
FUND

PUTNAM TOWNSHIP
TRUST AND AGENCY FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS
Cash

\$ 24,182

LIABILITIES

LIABILITIES
Due to others
Due to other funds

\$ 23,374
808

Total liabilities

\$ 24,182

CURRENT
TAX
COLLECTION
FUND

PUTNAM TOWNSHIP
CURRENT TAX COLLECTION FUND
BALANCE SHEET
JUNE 30, 2006

ASSETS

ASSETS

Cash

\$ 6,011

LIABILITIES

LIABILITIES

Due to other funds

\$ 5,264

Due to others

747

Total liabilities

\$ 6,011

PUTNAM TOWNSHIP

COMMENTS
AND
RECOMMENDATIONS

FOR THE YEAR ENDED JUNE 30, 2006



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
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MACPA

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August 21, 2006

Board of Trustees
Putnam Township
131 S. Howell Road
Pinckney, Michigan 48189

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Putnam Township for the year ended June 30, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency.

1. COMMENT

An instance was noted where a 1099 was not issued.

RECOMMENDATION

The Township should verify all instances where a 1099 should be issued. These need to be issued to any individual/attorney receiving over \$600 during a calendar year for services.

2. COMMENT

We noted an instance in which a payment was made from a vendor's statement.

RECOMMENDATION

To prevent double payments, the Township should only authorize payment from an approved original invoice.

This letter does not affect our report dated August 21, 2006, on the financial statements of Putnam Township.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience.

This report is intended solely for the information and use of the Township Board and is not intended to be and should not be used by any other party.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants